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SUBJECT: MEDELLIN DREAMS OF SILICON VALLEY

11. SUMMARY. The Department of Antioquia, through its industrial hub Medellin, aspires to become the leading science and technology (S&T) development area of Colombia. The Medellin Mayor's Office has identified S&T as one of its four growth sectors and a priority for channeling public and private investment. As initial steps, the Department plans to increase the budget of its S&T planning institution and build a technological park. However, local and international experts acknowledge turning Medellin into "Colombia's Silicon Valley" remains difficult without significant investment from foreign technology firms or increased central government funding. END SUMMARY.
S&T as Priority Sector

12. As part of its economic planning process, the Department of Antioquia and the city of Medellin have identified S&T development as one of four competitiveness/growth sectors for investment along with infrastructure, human resources, and commerce. According to Carlos Cano of ProAntioquia (Antioquia's privately-funded promotion entity), Mayor Alonso Salazar aims to transform Medellin into a city known for scientific innovation rather than only manufacturing and commerce. The Science and Technology Center of Antioquia (CTA) -- a public-private partnership founded by the municipal government in 1989 -- stands at the center of this effort with responsibility for the development and implementation of a regional S&T strategy. As evidence of the Mayor's commitment to promote S&T, Cano said the municipal government will increase its funding of the CTA in 2009, but noted that the exact figure is still to be determined.

Science & Technology Center Leads The Way

13. The Director of the CTA, Santiago Echeverri, said that CTA's role is to assist both the public and private sector to implement S&T projects and plans. While the CTA has a think-tank component, he said its primary role is to develop and coordinate actual S&T projects within the Department of Antioquia, such as promoting e-government and technologically advanced water filtration and aqueduct systems. CTA projects also focus on private sector innovation and competitiveness, by introducing S&T best practices, and on S&T education within primary and high schools. Echeverri emphasized that no other department has an equivalent organization, which he believes uniquely positions Antioquia to become Colombia's primary S&T center.

Build Technology Park and FDI Will Come

14. Both Cano and Echeverri highlighted the developing

technological park in Medellin as the Department's main S&T project. The Medellin Mayor's Office has purchased the necessary land and designated USD 12 million for the construction of two buildings to serve as a technological center. The center will focus on promoting S&T development in the health, energy and software sectors. Cano said the Medellin Mayor's Office is reaching out to the private sector and the national government for the additional funding needed to complete construction. With such support, the municipal government hopes to begin operations in mid-2010. The park will offer incentives, such as reduced rent, lower taxes and increased bandwidth speed, to attract a large foreign tech-based company such as Unisys, Microsoft or Cisco. Echeverri and the CTA will lead an Antioquia S&T delegation to Silicon Valley during the first half of 2009, to make contacts with potential U.S. investors, learn U.S. best practices, and lay the groundwork for broadening the S&T horizon of Medellin.

15. Despite the high hopes placed on the park as a catalyst for S&T development, S&T development expert and USG-sponsored speaker Brian Cabrera cautioned Medellin leaders about the prioritization put on the park during his visit to Medellin in September 2008. Cabrera noted that historically government-created S&T centers rarely produced sustainable clusters of technological advancement such as Silicon Valley. In addition to physical structures, other factors including thriving research centers, university-private sector partnerships, and venture capital were also needed. Rather than focusing on construction and building specifics, Cabrera encouraged local leaders to clearly identify Medellin's comparative advantage, establish a long-term business plan outlining which products and customers to target, and then seek out leading international S&T companies to invest in the region. He also suggested that Medellin collaborate, rather than compete, with Colombia's other nascent technology centers--Bogota and Cali--to identify partnerships and coordinate on development plans. Integrated into a broader S&T strategy, Cabrera said the three regions stand a greater chance of attracting international technology investment.

More National Funding Needed

16. According to Cano, S&T development in Colombia also remains constrained by the current reliance on municipal government support with only minimal help from national institutions. Colombia's National Science and Technology Development Institute (Colciencias) does provide supplementary funding to municipal projects already underway, but is focused primarily on supporting individual research and has no consistent funding for broader initiatives. Echeverri likewise complained that national support is available only if an organization has already developed and invested in a specific project. The lack of national government funding is compounded by limited S&T investment from Colombia's private sector and the nascent state of venture capital in Colombian markets. In his meetings, Cabrera underscored that venture capital is especially important in Medellin's case, given that the majority of the city's S&T funding is allocated to the tech park.

COMMENT: Noble Goals, But Attainable?

17. While Colciencias has identified the Department of Antioquia as one of Colombia's three leading S&T regions (in addition to Cali and Bogota) based on Medellin containing some of the country's finest science and engineering universities and the existence of the CTA, Medellin faces significant obstacles to fulfilling its goal of becoming "Colombia's Silicon Valley". Attracting FDI and national government support will be key to building on Medellin's impressive human capital and turning its S&T vision into reality. The global economic slump will undoubtedly complicate efforts to attract FDI in the near-term, but passage of a new S&T law in early December 2008 elevating Colciencias to quasi-ministerial status and increasing its

research budget (septel) offers at least some hope for national government help in developing Medellin as a 21st century S&T center.

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